

SELECT COMMITTEE ON PENSION POLICY

Constituent Correspondence as of June 9, 2009

Received by OSA	From	To	Subject
12/10/2008	Philips, Hal	SCPP	Plan 1 COLA, Plan 3 Retirement Age, Health Care
12/12/2008	Swan, Gail	SCPP	Pre-LEOFF Benefits
12/23/2008	Burns, Joseph W.	SCPP	Pre-LEOFF Survivor Benefits
12/29/2008	Hogg, Marcella	Governor Gregoire	Early Retirement Reduction Factor
1/11/2009	Gallagher, Kristine	Randy Davis	Dispute with TRS Over Self-Directed Accounts
2/12/2009	Wagner, Barbara	SCPP Members	Inequity Between Plans 1 and 2
2/13/2009	King, Garrison	SCPP	Early Retirement Incentive
3/19/2009	Bloomingtondale, TJ	SCPP	Communications Officers' Retirement Benefits
3/23/2009	Krohn, Tommie	SCPP	Early Retirement Incentive
3/29/2009	Tennant, Dan	SCPP Members	Complaint RE: TRS 3 Self-Directed Account
3/30/2009	Altenhauser, Michael	SCPP Members	Peace Corps Service Credit
4/8/2009	Elwell, Sandra	DRS	Dispute Over Beneficiary's Benefit
4/23/2009	Warriner, Dale	DRS	Equity in Benefit Structures, TAP Investment Option Performance
5/11/2009	Pillow, Tommie	Sen. Schoesler, Chair	Request for Sub-Committee to Review WSPRS Governanance
5/13/2009	Sen. Prentice	SCPP	LEOFF 1 Survivor Benefits
5/12/2009	Stoermer, Paul	SCPP	Lower Retirement Age for PERS 2
6/8/2009	Fox, Kelly - LEOFF 2	SCPP	LEOFF 2 Issues for Coordination
6/8/2009	Moe, Royce	SCPP	Court Commissioners' Pension Bill
6/12/2009	Representative Seaquist	Sen. Schoesler, Chair & Rep. Conway, Vice Chair	Long-Term Planning, Best Practices



## Wallis, Keri

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**From:** Hal Phillips [hal@halphillips.com]  
**Sent:** Wednesday, December 10, 2008 10:58 PM  
**To:** Office State Actuary, WA  
**Cc:** mragan@washingtonea.org; mlindquist@washingtonea.org  
**Subject:** To the Select Committee on Pension Policy: Some thoughts

To the Select Committee:

Below is the edited text of a message I recently sent to Mary Lindquist, President of the Washington Education Association. After some correspondence with Ms. Lindquist and Mike Ragan, Vice-President of the WEA, they have suggested I forward my concerns to you. I'd appreciate any response you'd care to make.

Thanks for your time,

Hal Phillips  
253-927-9243

Dear President Lindquist,

Though I don't know you personally, I feel that I know your precepts. I was a local president-elect, president, bargainer, building representative, and performer of other Association tasks for many years – and am now retired on TRS-I and a Life Member of WEA-Retired. In response to your latest President's Update, there are a couple of issues I feel compelled to discuss with you:

1) I've volunteered to function as a pre-retirement seminar coordinator through the WEA. While waiting for a seminar to begin recently (I was attending for training purposes), I spoke to another older couple, also waiting. "Are either of you on Plan I?" I began. "No, no" – they responded – "we're on the 'teach forever, then die' plan...Plan 3."

While this may be an overly harsh assessment of Plan 3, it is one shared by a lot of pre-retirees – especially given the general state of the stock markets of late. Since market investments represent the majority of the portfolio choices in Plan 3, this is a very real concern and one which should be addressed by WEA and the State.

2) I've been retired since July, 2005 – and because of my 'young' age, will not see a COLA of any kind for another several years, by which time my pension will have shrunk substantially as a result of inflation and the rising costs of consumer goods (those not considered in official measures of inflation) – factors which will arguably increase in importance as President Obama

attempts to correct the excesses of the previous administration. (I'm not complaining about this, as it was a known factor while preparing for retirement, just bringing it in as a point of discussion.) At the same time, our health care costs have also gone up significantly. We are fortunate to be able to choose the Uniform Medical Plan, which has had lower than average cost increases, but it has increased in cost over time. Both inflation and health care cost increases, as well as other uncontrollable demands on our finances, have diminished the value of our pension dollars.

One idea to address both of these issues – pre-retirees' and post-retirees' concerns about future living costs – might involve making UMP a guaranteed lifetime benefit of retirement, at substantially lowered cost or at a fixed cost that would not rise with time. (Other plans might be made available at higher cost to participants.) Yes, I realize the cost factor here is immense, but our new President and Democratic Congress might be inclined to provide offsets if it coordinates with the desire for a national health care plan. Since only the failed campaign of Senator McCain has suggested taxing health care benefits, it would in probability continue to be a tax-advantaged use of government dollars and thus provide benefits *greater* than the dollar figure would suggest. (Given the current projected deficits in government budgeting, it is unlikely that a simple significant COLA increase would fly.)

Very truly yours,

Hal Phillips

## Wallis, Keri

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**From:** Gail Swan [gswan8274@hotmail.com]  
**Sent:** Friday, December 12, 2008 9:54 AM  
**To:** Office State Actuary, WA  
**Subject:** RCW 41.18

I request the committee to support the amendment to RCW 41.18,  
the Fireman's Pension Fund Bill HB 1824.  
Thank You-Gail Swan

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EX-100

DEC 18 2000

The Select Committee on Pension Policy  
Senator Mark Schoesler, Chairman

I am a disabled firefighter from the Seattle Fire Department, injured on the job. My wife Carol is in her mid 70's and I am 49. I just missed retiring under LEOFFI by a couple of years, through no fault of my own. My wife and I have been married 41 years. I have always worried about my wife's income if I should die first.

I hope the Committee on Pension Policy would support an amendment to RCW 41.18, the Fireman's Pension Fund HB 1824.

Thank You  
Joseph W. Burns  
P.O. Box 435  
TANUVA, WA 98588



H Marcella Hogg  
PO Box 755  
Sedro Woolley, WA 98284

11-4-08

due 12/12

Dear Governor Gregoire

I'm writing for help, in the 2006 Legislature House Bill 2681 - Senate Bill 6453, enclosed a copy of legislative update.

I wanted to write in 2006 after receiving my first check after passing of the bill, but was told I had breast cancer, after surgery, treatments, & much more we were into 2007, then I had to have back surgery in hospital 6 days; weakness & other health problem's

Now we are in 2008 and I was feeling like I could write you, but with the election at our door. step, didn't want to bother you, elections will be over in a few days & I felt the need to write you for help. "Be patient" its a long story. I was employed at Northern State Hospital in 1973 when it closed, I was the sup. over Post office, switchboard & Receipt desk. In 1973 employees, went in many directions, we were able to (ref) for other state jobs, some moved, some retired, some (refed) & some took their lives as did some pt's. There were about 20+ employees that the state keep on for another year 1974, I was one of those employees, the other work at Power house plus one other man to do inventory <sup>of inventory</sup>, he had over 30 years & wanted to retire, but stayed the extra year to help, before retiring.

D. Decker - Woolley

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I (Marcella Hogg) had planned to ~~quit~~ (ref) and go on to another state job, but I was told the state was going to keep me on for another year, to close up office business, and state wanted the switchboard working for another year plus the mail needed to be taken care of for another year, plus people would be coming to hospital for information & resp. Desk should be there for them.

Dept of Soc & Health Service (Welfare office (it was called then), had a sub station office on the grounds at Northern State, state had the switchboard moved to the Welfare office and I was + (ded) work out of that office with the understanding I'd be worked into the Soc & Health Service when the year was up. I worked my heart out, 3-4 sacks of mail, <sup>or more</sup> ate lunch at the switchboard so busy to leave + really no one to relieve me, very few coffee breaks away from the switchboard, all that was OK, I loved to help people + that was what I was doing. In 1973 I had to step down in pay because ~~all~~ the girls that work for me was gone, so I didn't get Super-pay grade. But I worked hard enough and would have earned it.

When the days were so busy  
 I couldn't get all the mail taken  
 care of, I'd have to take it up  
 stairs and lock it in a room.  
 Just a few days before the Sept 1974  
 time was up, I slipped and fell  
 down the stairs with a bag of  
 mail, wrote out a accident report.  
 When the men came from Olympia  
 to close the year for us that Olgives  
 kept on, he went to Power house, of  
 course the Power house was staying  
 on, but they were transferred to the  
 Olympia payroll, the other men  
 retired. Then it was me, I was  
 sick from my fall, I ask if I could  
 take a sick leave, the answer was no  
 He ask if I wanted to retire or  
 quite and I said I told I'd  
 work into to Skagit Co Dept of  
 Soc & Health system, either stay here  
 at the office at Northern state where I'm  
 working or go to Mt Vernon. He said  
 no arrangements have been made  
 for you to do that. I was spell  
 bound, here I could of went to  
 state job the year before 1973 like all  
 the other's that choose to (ref) for a  
 job. State had me stay on, lead  
 me to believe I'd work right on, but  
 they didn't do the paper work for me.

I was so sick from my fall I had no other choice but to retire & quite, I retired with 23+ years, I was looking forward to 30+ years. The man that came from Olympia wasn't the kindest in talking, he said when you retire you can't go back to work for the state, so sign here that ~~he~~ told you, also your taking a cut in pay because of your age, so sign here, also that I've offered you a job in Eastern Wa & you couldn't take it so sign here. The job in Eastern Wa, wasn't open right then & he wouldn't give me any time span for a opening, and what had just happened to me not getting the job where I was, he offer wasn't a offer, ~~and~~ and I did say I'm too sick to travel that far, I need to go on sick leave for a while & he said no. Those days women didn't have much to say, so I retired. From then on I worked at odd jobs, my back has been so bad I couldn't hold a job, of some kind.

On 2005 one of the men from the State Retirement Board, ran to the state meeting at Budget Co, he told us <sup>they were</sup> going to ask for the Legislature 2006 to expand the 2004 bill for minimum benefit for retirees for 20 years \$ 1,000.00 plus 3% increase automatic.

R.P.C.E.  
Chapter 148

I talked to him and he said I'd receive it if it passed, what great news that was, well it passed, but because of my early retirement, because of the paper work that was <sup>not done</sup> for me to be transferred into Dept. Health (Stant Co.) it was not done by someone in Olympia, I had to retire, I was penalized again, I didn't get the full \$1,000.00, it wasn't my fault, had I known the person (state wasn't going to follow thru with paper work, I'd would of did a Ref in 1973 and gotten many more yrs in with the state I felt they did a disservice to me, when I trusted them. I don't know who did it, I never got angry but I was hurt & I forgive - who - ever did it. But I've paid the price, with very low low income, I could use the minimum <sup>minimum</sup> contribution so much without keeping be penalized for 1973-1974 mistake.

I'm not sure where I stand on the Cost of living Adjustments (Cola's) Optional or Uniform Cola, I had to take what the state & Gov Ben Evans gave at the Hospital Class. I did ~~learn~~ learn one lesson, what party to vote for.

Many of Skagit people felt if Northerwood was still running, we would (or may not had the shooting of 6 people very bad)

Govern Gregoire would you please wave the penalty that I have had to carry for so long. I'm almost 80, and when I die my check stop's, but would like to get full minimum contribution and 3% cost of living, and if any other raise that might be before I die, I would get it, with the wave. I pray your rainy day fund or other state fund can help me.

See Copy's enclosed from Dept Ret. Systems. Retirement Systems told me I was in a class of my own, and I believe it. Thank you for all you have done for the state. I'm happy you returned to Gov. office, Rossi  
M. Wallace. 1/1/80

I don't want back pay  
I'd like starting with 2008

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## 2006 legislative update

The 2006 session wrapped up on March 8. The following pension-related bills were passed by legislators and signed into law by Governor Gregoire:



- House Bill 2681 sets *\$ 1, 200-00* minimum contribution rates and establishes funding targets in PERS, PSERS, SERS and TRS.
- Senate Bill 6453 expands a 2004 bill to set a minimum benefit level for PERS Plan 1 and TRS Plan 1 retirees who have at least 20 years of service and have been retired for at least 25 years. It also adds an automatic 3% increase each year for all recipients of the minimum benefit adjustment. As retirees and survivors qualify, they will be notified of their new benefit amount by letter. ■ *mandel hory*



STATE OF WASHINGTON  
DEPARTMENT OF RETIREMENT SYSTEMS

PO Box 48380 • Olympia WA 98504-8380 • (360) 664-7000 • Toll Free 1-800-547-6657

December 5, 2008

Marcella Hogg  
Post Office Box 755  
Sedro Woolley, WA 98284-0755

Dear Ms. Hogg:

Thank you for your letter to Governor Gregoire requesting a waiver of the early retirement factor that is being applied in the calculation of your retirement benefit. I am responding on her behalf. Please also accept our thanks for your longtime public service.

I appreciate your time and thought in outlining your request. I did ask our staff to conduct a thorough review of your account after receiving your letter. The review confirmed that your benefit calculation is correct under existing law, and I am not able to grant a waiver to that law. Hopefully I can explain the reasoning for this decision in this letter.

The law to provide retirees with a \$1,000 minimum benefit was effective July 1, 2006, and your benefit is based on that \$1,000 minimum benefit. The law, however, did not eliminate the reduction in benefit for retiring early. We are therefore required to reduce your \$1,000 benefit according to a schedule for early retirements. An automatic increase granted by 2008 legislation is also applied to your benefit, but it too does not remove the reduction requirements for early retirement.

I do understand your situation and that you would have continued working if you were able. I am forwarding your request and our response to the Office of the State Actuary through whom policy changes are presented to the Select Committee on Pension Policy. They are the entity that receives requests for new legislation to change existing policy.

I recognize this is not the answer you requested, but hope this information reassures you that your retirement benefit has been calculated correctly. If you have further questions or need additional assistance, please don't hesitate to contact Ted Taylor, the PERS Plan Administrator, toll-free at 1-800-547-6657, extension 47044.

Sincerely,

A handwritten signature in cursive script that reads "Sandra J. Matheson".

Sandra J. Matheson  
Director

cc: Governor Gregoire





**From:** [Randy Davis](#)  
**To:** [Office State Actuary, WA;](#)  
**Subject:** FW: TRS problem  
**Date:** Sunday, January 11, 2009 8:49:53 PM

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I am forwarding this email to the full committee. Seems we might need a little clarification.

Randy Davis

From: gallagher31@msn.com  
To: marysvillecoach@hotmail.com  
Subject: TRS problem  
Date: Sat, 10 Jan 2009 10:01:05 -0800

Randy,

I was referred to you by the legislative staff of Rep. Kristiansen. I live in Monroe and have been a WEA member for over 28 years. I currently teach at Snohomish High School and have been on staff there for 20 years.

I am currently having a dispute with the TRS. The problem concerns a transfer that occurred in early October of my self-directed and deferred compensation retirement accounts. I was invested in the Mid Horizon Fund and all that money was transferred without my knowledge or consent to a new fund, Retirement Strategy 2015.

TRS is of the opinion that their "process" was adequate because they had short articles about the transfer in the newsletter included with statements starting last Spring. They also claim to have sent out a separate pamphlet that I never received.

Unfortunately I did not discover a transfer had occurred until late November when I was accessing my account information through the internet. By then the stock market had gone down significantly and my assets were at much greater risk due to the transfer from the period of early October through late November when I discovered the transfer had occurred. There is a big difference between the risk associated with the 2015 fund and Mid Horizon due to the ratios of stocks and bonds in each

of the funds.

Apparently the process TRS created to notify WEA members of the transfer was not as effective as they planned. A few key ingredients were missing that would have insured notification was effective.

First of all an affirmative response should have been required. A written authorization documenting the account holder was aware of the transfer should have been required. Second, a confirmation of the transfer should have been sent out to account holders that had assets transferred to the new funds.

In lieu of failing to take those two actions, at the very least TRS should have transferred assets from one fund to another and taken risk aversion into account. So in my case a much more sensible transfer would have been from Mid Horizon to the 2000 or the 2005 fund. These funds are not identical to Mid Horizon but are much more in line with the balance of stocks and bonds in that fund. Especially considering the turbulent state of the financial markets this year, that would have been a much more prudent action on the part of TRS.

Veteran teachers have TRS accounts worth hundreds of thousands of dollars. This misstep by TRS has had a substantial impact on the value of my account.

I have already contacted Zan Johnson numerous times and I am not satisfied with her explanations. It would be helpful for you to see the correspondence that has gone back and forth between Zan and I. You would understand the situation better. If you want to see it I can forward it to you.

I am asking for your assistance as a member of the Select Committee on Pension Policy and the assistance of the WEA in resolving this issue to my satisfaction. I would appreciate a response as to how you and the WEA may be able to help and what would be the next steps I should take.

This topic is probably going to become more widely known when other teachers become aware of what happened to their accounts without their consent. That should be happening soon as quarterly statements are mailed out.

Hope to hear from you soon,

Kristine Gallagher  
Snohomish High School

RECEIVED

February 4, 2009

FEB 12 2009

Office of the State Actuary  
Select Committee on Pension Policy  
PO Box 40914  
Olympia WA 98504-0914

Office of  
The State Actuary

Barbara Wagner  
527 E 23<sup>rd</sup> Ave  
Kennewick WA 99337

Dear SCPP members:

I have written in the past and will continue to express the inequities between the various retirement plans. Maybe some of you are new to the board and this should bring attention to the fact that various plans over the years have had their benefits changed or contributions reduced that benefited select plans while other plans are left alone.

The main inequity I am referring to is the PERS 1 and TERS 1 60% benefit cap. As you know PERS 2 and TERS 2 plan has no limiting cap and are therefore able to retire with a percentage that exceeds 60 percent.

In 2006 HB 2688 removed the benefit cap of 60% for LEOFF Plan 1 members.

Another change for PERS 2 and 3 is that their retirement age was recently lowered so they no longer need to go all the way to age 65 if they have 30 years. The age was reduced to 62 with no deduction. Then there is the discrepancy of the better benefit of a COLA difference enjoyed by PERS 2 & 3 (not waiting till age 66) and based on CPI applied to their monthly benefit. Whereas PERS 1 screwed again getting a specified amount applied to number of service years not their monthly amount and not until their 66 years of age. I wonder if an unintended benefit was created when PERS 2 retirement age was lowered to 62. Thus the original COLA for them was intended for retiree's at the 65 age waiting one year (age 66) to more closely match PERS 1 age 66 kick in date. Maybe PERS 1 should be lowered to age 63 which would be same age of PERS 2.

Another inequity to bring to your attention is the percentage we pay into the plan per month. Have you ever calculated how much more a PERS 1 (with their 6% contribution the entire 30+ years) has paid out of pocket, while we watched the reduction over the years for PERS 2 contribution? It amounts to thousands of dollars more paid by PERS 1 than PERS 2. At one point PERS 2 paid less than 1%.

PERS 1 and TERS 1 that are still working, it is usually because they started when they were in their 20's thus in their 50's when they have 30 yrs in. So they continue working because of numerous factors such as not eligible for SS, children in college or mortgage payments. As for myself being a widow I don't have a husband at home that can add me to his insurance plan. The quote I received from my personnel office for me to pick up the tab on my health insurance is close to the amount of my mortgage payment. Yet I am way too young to collect Social Security.

Surely if you are not going to do anything for PERS 1, then will you stop improving benefits to other plans, otherwise the gap in the inequities will grow even larger. Sign me as a disgruntled PERS 1 who started 1 yr and 10 months too early. I would gladly trade being a PERS 1 and become a PERS 2, work until 62, even though it is a 5 yr average on retirement. Thus I would get a COLA that starts at age 63 and based on CPI on my monthly income. I would have paid less into the plan all those years and having 37 yrs X 2 = 74% of my 5 yr average income is well more than my locked in 30 yrs X 2 of my 2 yr average income capped at 60%.

Yours,  
Barbara Wagner



## Wallis, Keri

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**From:** Garrison King [gking@wsu.edu]  
**Sent:** Friday, February 13, 2009 7:57 AM  
**To:** Office State Actuary, WA  
**Subject:** SCPP contact

To: The Select Committee on Pension Policy

Given the State's budget deficit, Early Retirement incentives for state workers may play a role in budget reduction. It is suggested here that Retirement eligibility (RCW 41.40.820) be amended to allow that service credit purchased be membership service, and may be used to qualify the member for retirement. You will note that this rule is common to TRS 2/3. It is also suggested that members be able to pay for these service credits (given intent of retirement) from their defined contribution account (PERS 3). The Retirement allowance schedule would remain unchanged. An amendment of HB1600 with the appropriate language would suffice.

Note: This is an incentive for early retirement; it is also a fiscally responsible measure in that the member assumes the total cost of the purchase and such cost is based on an actuarial formula. The state of Washington could realize millions of dollars from this incentive. Perhaps, data could be collected from HB 3024 to illustrate effectiveness.  
Thank you.



## Wallis, Keri

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**From:** TJ Bloomingdale [tbloomingdale@vccea.org]  
**Sent:** Thursday, March 19, 2009 12:48 PM  
**To:** Office State Actuary, WA  
**Subject:** 911 Communications Officers; PERS; LEOFF; PSERS?

Afternoon,

I am a 911 Communications Officer (911 Dispatcher) for Valley Communications Center in Kent, the largest dispatch center in Washington. I had the honor to be the association president for 2 years and during that time it became apparent that PERS was not the appropriate retirement system for our profession. We have several employees that have served our citizens, officers, and firefighters for 30+ years but still do not meet the age requirements for retirement and as I watch the employees struggle to keep up with an ever changing environment, the pain becomes apparent when talking to them of how they would like retire because they realize they struggle to do their job. Let's face it, age has a way of slowing our minds and bodies down that is not always kind and can be very frustrating but also, we cannot ignore the risk and liability to our customers.

I am committed to either have our profession added to an existing retirement plan that is more appropriate or to have a new retirement plan. It saddens my heart to think of my coworkers that have given 20+ years of their life to protect and save lives on a daily basis, give up their holidays with their family, or dinner at night to work the grave yard shift only to face the potential in later years of not being able to perform up to the professional standard required by our profession and deserved by our citizens, police officers, and firefighters.

I do not know if this email is being sent to the appropriate person(s) but if not, if you are able to give me any advice on this matter, I would greatly appreciate your time and knowledge. Thank you!

Sincerely

TJ Bloomingdale



**Wallis, Keri**

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**From:** Krohn, Tommie A. (DOC) [mailto:takrohn@DOC1.WA.GOV]  
**Sent:** Tuesday, March 31, 2009 5:36 PM  
**To:** Painter, Darren  
**Subject:** RE: STATE FUNDS

thanks, I think if the whole picture is taken into account , this really comes into importance when the DOC corrections officers control tactics and defence tactics L.I. injuries are at their highest, because of the age and illness of the officers . agian we go into the the sick leave/ absenteeism /overtime issues really come into light. And the excessive stress of that work department . thanks agian for your look at this excessive amount of funding this makes the state of wa .Temporary window of early retirements jsut makes good sence and although we pay on the other end of the load to the pension system , the imediate needed relief to getting high paid state employees off the payroll and leaving a large amount of theses postions vacant and or filled with low paid temp employees is a money saving that really has to be looked at in these ongoing coming ,very hard times ,that this country or world has not seen sence the 1930s . Also the state empyees unions /teamsters/asme will have little choice but to give up some of these postions , just as the GM/ Ford/ and the list goes on has given up over & over agian in the past recent years. Public workers will sooner or later follow that lead as the tax base shrinks . So why don,t we get ahead of the curve .As a government employee we all truely know we can make ends meet in so many areas of goverment with less employees ,we are so over staffed in so many areas of goverment its almost unbleiveable its went on this long, with our tax payers hurting so bad . please share this with your coworkers thank you very much for your time.

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**From:** Painter, Darren [mailto:Painter.Darren@leg.wa.gov]  
**Sent:** Mon 3/30/2009 8:04 AM  
**To:** Krohn, Tommie A. (DOC)  
**Subject:** RE: STATE FUNDS

These things would likely be considered by policy makers when evaluating the cost-effectiveness of an early retirement program. Your idea will be forwarded to policy makers for their consideration. Thank you again for your suggestion.

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**From:** Krohn, Tommie A. (DOC) [mailto:takrohn@DOC1.WA.GOV]  
**Sent:** Thursday, March 26, 2009 11:27 PM  
**To:** Painter, Darren  
**Subject:** RE: STATE FUNDS

Did you factor in the medical costs of older workers, sick leave caused by them and overtime to cover thire absentism. L.I. claims of older workers are higher also. They are almost 40% more in costs . Also factor leaving some postions vacant .The state is overstaffed ,if the public only knew how much. Useing on call workers instead of full time in some postions.

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**From:** Painter, Darren [mailto:Painter.Darren@leg.wa.gov]  
**Sent:** Thursday, March 26, 2009 10:26 AM  
**To:** Krohn, Tommie A. (DOC)  
**Subject:** RE: STATE FUNDS

Mr. Krohn,

My name is Darren Painter and I am a policy analyst for the Office of The State Actuary. Thank you for your suggestion regarding early retirement incentives for state employees. As indicated in our previous response, your email will be forwarded to members of the Select Committee on Pension Policy (SCPP). While the SCPP will not likely meet before the end of the current legislative session, several members of the SCPP are legislators, and legislators may still take action on early retirement legislation this session.

As a means to save money, early retirement incentives have been looked at and used in the past during difficult economic times. However, what has been learned is that the short-term savings from hiring new, less expensive employees may be offset by the increased long-term costs to the pension system. Our office has developed a list of answers to frequently asked questions regarding early retirement. This may be of interest to you, and I am providing a copy below.

Thank you again for your suggestion.

**Darren Painter**

*Policy Analyst*

Office of the State Actuary

P.O. Box 40914

Olympia, Washington 98504-0914

<http://osa.leg.wa.gov/>

Phone 360.786.6155

Fax 360.586.8135

“Securing tomorrow’s pensions today”

## **Early Retirement Q & A**

### **Q: What is an early retirement window?**

A: An early retirement window is a time frame within which retirement system members can retire earlier than expected with improved benefits. This kind of program usually has a specific start and end date.

### **Q: Why use an early retirement window?**

A: Policy makers may use this kind of program to: avoid layoffs by encouraging voluntary reductions in the workforce, to reduce the economic hardship for employees who are laid off, to achieve short-term salary savings by replacing senior employees with lower-paid new hires, to make room for "new blood," or to allow existing employees to advance up the career ladder.

### **Q: Will an early retirement window save money?**

A: Experience has shown that salary savings from early retirement are usually only realized when positions are eliminated in conjunction with the early retirement. Even so, short-term savings may be more than offset by long-term costs to the pension system.

### **Q: Why is there a cost to the pension system?**

A: Early retirement programs result in pensions being paid over a longer period of time that they otherwise would have been. Also, neither the period of earlier retirement nor any benefit increase or incentive provided would be funded over the working lifetime of participants.

### **Q: What are the three basic approaches to early retirement windows?**

A: 1) Provide cash incentives or increase benefits to members already eligible to retire; 2) lower the eligibility requirements to allow ineligible members to retire earlier; and 3) lower eligibility requirements and provide incentives or increased benefits for members who are currently ineligible to retire .

**Q: Why are cash incentives or increased benefits used in these programs?**

A: Generally, employees are reluctant to leave employment during economic hard times. Also, members who retire early may take a reduction in their pension benefit, and encouraging them to leave may require an offsetting incentive. On the other hand, those who face imminent layoff may need no additional incentive to take an early retirement.

**Q: Which employees are affected by these programs?**

A: Early retirement programs may be offered to all members in an attempt to avoid layoffs through voluntary retirements, or they may be targeted to specific employers or positions as when closing an agency or eliminating a program.

**Q: Has Washington used early retirement windows in the past?**

A: Washington has used both broad-based and targeted early retirement windows in the past. In 1973, early retirement was offered to employees of a state hospital that was being closed. In 1982, 1992, and 1993, a voluntary early retirement program was offered to Plan 1 members of the Public Employees Retirement System and the Teachers Retirement System. Participation rates ranged from a low of 7% of members eligible to a high of 29% in the voluntary programs.

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**From:** Krohn, Tommie A. (DOC) [mailto:takrohn@DOC1.WA.GOV]

**Sent:** Monday, March 23, 2009 12:50 AM

**To:** Office State Actuary, WA

**Subject:** STATE FUNDS

State Budget

I have sent a idea to save a lot of money for the state of Washington . I can't seem to get anyone's attention . So I through I would run it by you . If the state gave early retirement to staff with 25 years 02 more and were over 55 with much reduced retirement factors it could save a large amount of funds. They could fill some the vacancies with part-time on call staff and some with full time staff at a much reduced pay. And some vacancies could be left unfilled until the economy recovered or just eliminate some of those positions. Older workers cost more in pay , more sick leave , more absenteeism which cause overtime. They cost the state more in medical bills, ect. The younger worker don't use much sick leave , or vacation leave because they don't earn as much . And are not as sickly . It's a win /win for the state budget . Please give me your thoughts on this and help get this to the right people ,to make it happen thank you T Krohn

P.S. The US PostOffice just gave out many early retirements ,like GM and many others , it a money thing, it save a lot .



**Wallis, Keri**

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**From:** vtennant [vtennant@verizon.net]  
**Sent:** Sunday, March 29, 2009 3:01 PM  
**To:** Office State Actuary, WA  
**Subject:** Complaint reagrding Department of Retirement Systems  
**Attachments:** DRS Complaint.doc

Dear Select Committee on Pension Policy Members,

I am attaching a complaint regarding the conduct of the Department of Retirement Systems. I am also forwarding this information to my elected representatives.

Thank You For Your Time,  
Dan Tennant

I have a complaint about the administrators of TRS Plan 3 and the Department of Retirement Systems.

I am a 58 year old member of TRS 3. I have used TRS 3's Mid-Horizon Fund, a mix of 38% domestic stocks, 46% bonds, and 16% international stocks. I was invested in this vehicle because it reflected my needs. TRS 3 had a Short-Horizon fund designed for participants my age which was even more conservative than Mid-Horizon. Though Mid-Horizon was slightly more aggressive, it fit my overall investment portfolio. Research has driven my investing which is why I invested in a passive, indexed, low cost fund with an age appropriate asset allocation. This is how I invest outside my TRS 3 account, also. TRS 3 believes if you are not an "active investor" you are incapable of making intelligent investing decisions. This is ironic for research shows passive investors are far more successful than active investors.

In October, the Mid-Horizon Fund was closed and my funds were transferred to the 2015 Retirement Strategy Fund. I received information that this would take place if I did not choose to "actively" manage my funds. I did not study the information sent and assumed the allocation of a fund created for those 56 to 60 years old, 2015's target, would be similar to the Short-Horizon Fund's allocation. This proved to be a very costly assumption.

TRS 3's 2015 Retirement Strategy Fund is a mix of 32% domestic stocks, only 26% bonds, and an astounding 46% international stock. When I first saw my quarterly statement with the chart demonstrating the allocation of my investments, I thought it was a mistake. How could an investment professional come to the conclusion 2015's allocation of 26% bonds and 74% stock, 46% of which is international, is suitable for a 58 year old?

I am an avid reader of financial planning and retirement information. I have never seen an asset allocation recommendation like TRS 3's 2015 Retirement Strategy Fund for an investor 56 to 60 years old. I have looked at the 2015 funds of several major mutual fund companies and asset allocation suggestions of several reputable investment sites. None have an asset allocation like TRS 3's for investors my age, especially in volatile international stocks.

I accept responsibility for not having looked at the transfer information carefully. Still, I believe the people at TRS 3 and DRS have been grossly irresponsible and need to be investigated and reprimanded. How did they determine the 2015 allocation? I do not believe this decision was based on research. They choose to invest the retirement savings of 56 to 60 year olds contrary to modern portfolio theory and dramatically increased the risk of the portfolios of investors nearing retirement rather than reducing the risk. Excuse me for being redundant, but this is exactly opposite of how portfolios are supposed to be managed. Please let me know how this happened.

Thank You,  
Dan Tennant  
803 Eastside St. NE  
Olympia, WA 98506-4031  
360-754-7242

**Wallis, Keri**

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**From:** Althausen, Michael

**Sent:** Monday, March 30, 2009 2:34 PM

**To:** Office State Actuary, WA

**Subject:** Peace Corps

Members on the Select Committee on Pension Policy-

I write to you from the office of Senator Ed Murray, 43<sup>rd</sup> District. A constituent recently contacted our office regarding his service in the Peace Corps. He served in the Peace Corps for four years and wants the time credited to his Service Credit Years with the state, similar to how military service is treated. Are there any equivalency laws for such service?

Thanks for the help.

Sincerely,

Michael Althausen



State Actuary Copy

March 6, 2009

Sandy Matheson, Director  
Department of Retirement Systems  
P. O. Box 48380  
Olympia, WA 98504-8380

RECEIVED

APR 8 2009

Office of  
The State Actuary

RE: Thomas L. Elwell, SSN [REDACTED] (Deceased)  
Beneficiary Benefit for Sandra L. Elwell, Birthdate [REDACTED]  
(as Referenced in Enclosed DRS Statement)

Dear Director Matheson:

Based on the enclosed copy of the statement from Department of Retirement Systems received by my husband, Thomas L. Elwell, shortly before his death, I am requesting the monthly benefit amount I have been receiving (\$325.16) be adjusted to the appropriate amount. *Paragraph 3, item 3*, specifies husband's birthdate [REDACTED]. His beneficiary's birthdate is also specified ([REDACTED]). This is my birthdate (copies of my WA driver's license and military ID card are enclosed as verification).

The enclosed quotes the following breakdown of beneficiary benefit possibilities:

OPTION	RETIREE'S COLA BENEFIT	OPTION	BENEFICIARY'S BENEFIT
• ON1	\$1,689.43	\$1,246.80	No continuing benefit
• ON2	\$1,243.42	\$ 917.65	100% of retiree's benefit
• ON3	\$1,436.02	\$1,059.78	50% of retiree's benefit

The only circumstances that would result in a change to the amounts cited above are specified in *Paragraph 4*: "Please note: Your actual retirement benefit may differ from this estimate, because of compensation and service information received after this estimate was calculated."

My husband read this statement, saw that it reflected his wishes, and believed it be a true and correct estimate of the distribution of his DRS benefit. Imagine my surprise and confusion when, after several conversations with DRS staff, I arrived at your offices, copy of this statement in hand, only to be told the statement was incorrect!

When DRS provides its membership with a statement, as is enclosed, that contains such vital information as benefit amount(s) and beneficiary, the member/membership relies on the accuracy of said information. How else will a person know whether revision(s) has been made OR if revision needs to be made? One has to wonder how many others have received similar statements from your office and have/will rely on the contents of those statements when making estate and financial plans for the security of their loved one(s)?

**MY HUSBAND DIED KNOWING HE HAD ARRANGED FOR ME TO RECEIVE THE "BENEFICIARY'S BENEFIT" AS STATED ON THE ENCLOSED. He had relied on the accuracy of the information provided by your agency as proof of that fact. HE WAS ALIVE TODAY HE WOULD STILL BELIEVE THAT SHOULD SOMETHING HAPPEN TO HIM, I WOULD RECEIVE THE BENEFITS OUTLINED IN THE ENCLOSED BECAUSE THAT'S WHAT YOU TOLD HIM.**

Sandy Matheson, Director  
Department of Retirement Systems  
March 6, 2009  
Page Two

It's time this situation be rectified and I receive the benefit amount to which I am entitled as stated in the enclosed document. Unless I'm notified otherwise, I'll expect remedy of this matter and adjustment of my "Beneficiary's Benefit" to the corrected amount by month's end.

Regards,



Sandra L. Elwell  
3210 36<sup>th</sup> Avenue NW  
Olympia, WA 98502  
360/866-4886

Enclosure

cc: Honorable Christine Gregoire, Governor w/enclosure  
DRS Advisory Committee, w/enclosure  
Select Committee on Pension Policy, w/enclosure  
~~Office of the State Actuary, w/enclosure~~

**Wallis, Keri**

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**From:** Frost, Marcie (DRS)  
**Sent:** Thursday, April 23, 2009 2:28 PM  
**To:** WARRINER, DALE (DNR)  
**Subject:** Correspondence Response

Dear Mr. Warriner,

Thank you for your email and the opportunity to address your question. In response to your question about bonuses provided to employees designated in the Washington Management Service (WMS), the Department of Retirement Systems (DRS) did not provide any bonuses to WMS employees in 2008.

You also mentioned that during 2008, your funds in the Total Allocation Portfolio (TAP) investment option offered to Plan 3 members significantly declined. The current market conditions present a challenge for investors and have impacted all the investment funds. I'm sure you are aware that all equity markets around the world were down substantially in 2008.

The TAP is a diversified investment portfolio designed for the long-term investor, and is managed by the Washington State Investment Board (WSIB). Under the direction of the WSIB, assets are invested by board-selected external managers, with the exception of the fixed income program, which is directly invested by the Washington State Investment Board. Plan 3 assets in TAP are commingled in a pool with assets of the Washington state defined benefit retirement plans that have a long performance history. The TAP invests across five broad asset classes: U.S. equity (U.S. stocks), non-U.S. equity (international stocks), fixed income (bonds), private equity and real estate. The WSIB works with several top national consultants and experienced investment staff to develop an optimal portfolio mix designed to generate maximum return at a prudent level of risk.

Reviewing your investment portfolio is a good practice on an on-going basis to make sure your investment mix reflects the level of risk with which you are comfortable. Changes should always be weighed carefully, understanding that market fluctuations will occur.

As the administrator of the state's nine separate and unique public retirement plans, we appreciate your concern about proposed benefit improvements that may be applicable to any or all of the retirement plans. While there is no guarantee that plan provisions will always remain the same, evaluating the relative equity of the benefit structures is an important point in the policy making process. The Select Committee on Pension Policy (SCPP), which was created by the Legislature to review and recommend changes to the public retirement systems, considers the impact of specific proposals on the retirement systems when new proposals are being developed.

For proposals that do not come through the SCPP, the Department works closely with the Office of the State Actuary (OSA) and the Legislature to ensure clear communication of any concerns or impacts on members of the retirement plans. I've forwarded a copy of your email to OSA as the staff for the SCPP because you've given voice to a concern that is shared by other members of the retirement systems.

Again, please accept my thanks for taking time to write to us. If you have any questions in the future regarding your retirement account or Plan 3 investments, please contact any Public Employees' Retirement System (PERS) representative at (360) 664-7336 or toll-free at 800-547-6657.

Marcie

**Marcie L Frost, Deputy Director**

Department of Retirement Systems

6835 Capitol Boulevard

Tumwater, Washington 98501

360.664.7224 Work

360.402.2044 Mobile

**From:** WARRINER, DALE (DNR)

**Sent:** Tuesday, April 21, 2009 2:14 PM

**To:** Eby, Wilma (DRS)

**Subject:** RE: WA Management Service

You can disregard my request. I didn't expect a response. I was just venting some frustration at the current economy and the WMS bonuses in general. It was only by accident I found out they get bonuses even though the WMS has been in place for a number of years. There certainly isn't a push to make that fact public information, and for good reason. I think the public would go ballistic if they knew that any State employees got bonuses given the current mood of the country.

Perhaps the WSIB would have been a better target rather than DRS. I wrote them and asked why they continue to sit on the same old investments rather than making prudent adjustments along the way. I thought they would do a better job of "managing" my money than I could do myself when I went from self investing to the TAP fund, but turns out it I made a bad decision. Evidently they agreed since they didn't respond. After losing \$80,000 from my PERS 3 account in the past 18 months, I think you can understand my frustration.

While I have your ear, it has been an ongoing work to make sure that employees in PERS 3 aren't forgotten when it comes to receiving benefits afforded to PERS 2 employees. In the last legislative session there was a bill floated that would give PERS 2 employees the same military credits that PERS 1 folks get. I'm a veteran. There was no mention of PERS 3 people. It was only when my union, at my persuasion, successfully introduced a friendly amendment to include PERS 3 employees. The bill failed, so it was a moot point, but that is what we have to watch out for and we shouldn't have to. When we made the choice to move into PERS 3 from PERS 2 in 2002, it was simply a choice of where we wanted to invest our money. It wasn't to give up any future benefits afforded PERS 2 employees. I have over 30 years with the State. I don't want to be working next to someone in PERS 2 with fewer years than I that might get to retire early or something while I continue to work. That wasn't part of the deal when we made the transfer. Anything you can do to make sure we are not the forgotten, it would be appreciated. Thank you.

---

**From:** WARRINER, DALE (DNR)

**Sent:** Monday, April 20, 2009 9:37 AM

**To:** Cap, Recep (DRS)

**Subject:** Manager bonuses

I assume that the managers in the DRS are under the Washington Management Service. I'd like to know what bonuses they received in 2008 while my TAP fund took a 30% hit. Thank you.



**WASHINGTON STATE PATROL TROOPERS ASSOCIATION**  
200 UNION AVE. SE STE. 200, OLYMPIA, WA 98501 (360) 704-7530 FAX (360) 704-7527

May 6, 2009

The Honorable Mark Schoesler  
WA State Senate - INB 110  
Chair, Select Committee on Pension Policy  
Olympia, WA 98504

**RECEIVED**

MAY 11 2009

Office of  
The State Actuary

RE: WA State Patrol Retirement System Governance

Dear Senator Schoesler,

I hope you are getting some time to relax following the very grueling 2009 legislative session. We understand that these are very difficult times requiring tough decisions and the members of the WA State Patrol Troopers Association respect the work that you do and appreciate your continued support.

The members of the Troopers Association are disappointed that two of our priority issues once again did not develop into workable policies. The two are governance of the WA State Patrol Retirement System and the Deferred Option Retirement Plan. Primarily the failure of the legislature to consider a governance plan for the WSPRS causes us a great deal of concern. There are issues and policies pertaining to the WSPRS that need and deserve analysis that the current SCPP does not have the time to thoroughly address. Ours is a very small and unique system that could be a model for self-governance, giving the members both active and retirement more involvement in the most important personnel benefit.

On behalf of the over 1000 members of the Troopers Association we request that a subcommittee of the SCPP be convened during the upcoming interim to review governance options for the WSPRS that will result in recommendations to the 2010 legislature. We further respectfully request that participation in a subcommittee include active and retired members of the WSPRS.

We feel that more involvement by our members in the governance of their system will insure the stability and integrity of the WSPRS in the short and long term. Your consideration of this request will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tommie Pillow".

Tommie Pillow, President

CC: Representative Steve Conway, Vice Chair, SCPP  
Victor Moore, Director, Office of Financial Management  
Matt Smith, State Actuary  
Rick Jensen, Governmental Affairs, WA State Patrol Troopers Association  
Davor Gjurasic, Governmental Affairs, WA State Patrol Troopers Assoc.



## Wallis, Keri

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**From:** Prentice, Sen. Margarita  
**Sent:** Tuesday, May 12, 2009 8:13 PM  
**To:** Office State Actuary, WA  
**Cc:** Grazzini Smith, Alison  
**Subject:** Please review and comment for the Senator - thanks! FW: LEOFF I pension program

Hello!

On behalf of Senator Prentice, would you please consider having the Select Committee on Pension Policy review the request below. Her prime sponsored SB 6078 addressed this but wasn't well received because it had not been considered by the SCPP.

Thank you for your thoughts and any information.

Sincerely,

*Mary Anne Ross*

Senior Executive Legislative Assistant

**Senator Margarita Prentice**

*11th Legislative District*

**360-786-7616**

<http://www1.leg.wa.gov/senate/prentice/>

-----Original Message-----

From: running4renton@msn.com [mailto:running4renton@msn.com]

Sent: Sunday, December 28, 2008 12:07 PM

To: Prentice, Sen. Margarita

Subject: LEOFF I pension program

SENATE INTERNET E-MAIL DELIVERY SERVICE

TO: Senator Margarita Prentice

FROM: Rosemary Quesenberry

STREET ADDRESS:

3609 Se 18 Court

Renton, WA 98058

E-MAIL: [running4renton@msn.com](mailto:running4renton@msn.com)

PHONE: (425) 271 - 4396

SUBJECT: LEOFF I pension program

MESSAGE:

Just a reminder regarding the pension program for LEOFF I officers. I appreciate you placing this matter on your priority list.

As we discussed, if officer Jim Laing, which has 40 years on with the Seattle Police department , if he would retired tomorrow and were then to die, his wife would receive the full pension he had accured over his many years of service.

However, if he would die while still employed his wife would receive only 50% of his final average salary. Jim recently contacted Representative Al O'Brien regarding this matter as well.

The LEOFF I pension reservoir could more than adequately supply the funds necessary to provide the spouses of active LEOFF I officers with the full pension based on years of service of the LEOFF I officer.

There is no cost to the State and to provide full pension benefits to spouses based on the years of service would keep some experienced officers on the job. In fact, there would be some savings to the State because eligible officers may continue to work and not draw on their pension.

Providing ACTIVE members of LEOFF I pension benefits equal to their years of service is the right thing to do. I appreciate your addressing this matter. It is always a pleasure to speak with you.

Happy New Year. If I can be of any service to you over the year, please just let me know! God Bless.

NOTE: We are 99% sure that this constituent is in your district

RESPONSE REQUESTED: Rosemary has requested a response to this message.

**Wallis, Keri**

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**From:** Paul Stoermer [mailto:PStoermer@lakehaven.org]  
**Sent:** Monday, May 11, 2009 1:30 PM  
**To:** Office State Actuary, WA  
**Subject:** RE: PERS 2 Retirement

Thank You for the response,

If you will accept and forward my suggestion, that would be great. Here is my question.....

I am a PERS 2 enrollee, age 48. I have 25 yrs of service. I will not be able to retire until age 65. At 2 percent per year of service, I will draw 82 percent of my salary when I retire. At 30 years of service I would only be able to draw 60 percent of my salary. Would'nt be cheaper for the retirement system to let me retire with 30 years and 60 percent rather than work longer and recieve the higher amount? I just thought this would be a logical question, but I'm sure there's more to it!

Thanks, Paul Stoermer

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**From:** Office State Actuary, WA [mailto:Actuary.State@leg.wa.gov]  
**Sent:** Monday, May 11, 2009 11:19 AM  
**To:** Paul Stoermer  
**Subject:** RE: PERS 2 Retirement

**Mr. Stoermer,**

**The Select Committee on Pension Policy (SCPP) would be the proper route to use to make suggestions on changing the retirement age of PERS 2 enrollees. The Chair of the SCPP is Sen. Schoesler. The office of the State Actuary accepts and forwards communications on to the SCPP.**

**Office of the State Actuary**

P.O. Box 40914

Olympia, Washington 98504-0914

<http://osa.leg.wa.gov/>

Phone 360.786.6140

Fax 360.586.8135

"Securing tomorrow's pensions today"

---

**From:** Paul Stoermer [mailto:PStoermer@lakehaven.org]  
**Sent:** Monday, May 11, 2009 10:55 AM  
**To:** Office State Actuary, WA  
**Subject:** PERS 2 Retirement

Hello,

Do you know who I would contact about submitting suggestions to lower the retirement age for PERS 2 enrollee's?

Thanks, Paul Stoermer





RECEIVED

JUN - 8 2009

Office of  
The State Actuary

STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD**

*P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329 • www.leoff.wa.gov*

June 8, 2009

RECEIVED

JUN - 8 2009

Office of  
The State Actuary

Select Committee on Pension Policy  
C/O The Office of the State Actuary  
Post Office Box 40914  
Olympia, Washington 98504-0914

Dear Honorable Members of the Select Committee on Pension Policy:

On behalf of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF 2 Board), I would like to thank you for the cooperative working relationship we have shared during the past 6 years and look forward to a similar partnership in the future.

I would like to bring several topics back to your attention as you begin preparation for the 2009 interim. It is our hope that the Select Committee on Pension Policy (SCPP) and the LEOFF 2 Board can work cooperatively on these issues. I have provided a brief summary of each topic for your reference:

**Duty-Related Death Benefit**

The LEOFF 2 Board and the SCPP jointly recommended legislation last session to increase the lump-sum benefit provided to beneficiaries of all retirement system members who die in the course of their service to the public. That legislation did not pass.

**Annuity Purchase**

Under current law, Plan 3 members (TRS, PERS & SERS) can purchase an annuity out of the combined trust fund. Plan 2 and Plan 3 members may purchase additional service credit at the time of normal retirement by paying the actuarial cost of the additional service, but they are limited to five years. Members who have assets in excess of the purchase cost for the maximum five years could benefit from another avenue to invest those assets.

**Survivor Factors**

The current benefit calculation methodology uses joint and survivor factors to calculate a survivor retirement even though just one spouse is alive at the time of retirement. This practice results in a greater reduction for the surviving spouse than using a reduction factor based on just their lifetime.



**Service Credit for Shared Leave**

State employees who use shared leave get to include the associated hours and salary in the calculation of their pension benefit. However, local government employees do not get to include shared leave for either service credit or the calculation of their average final salary.

**Furloughs**

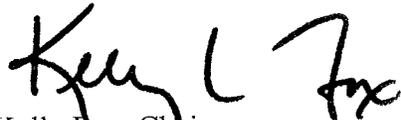
The Legislature passed a bill in the 2009 session that provided retirement protections for state and local government PERS employees who take unpaid leave of absences as a means of addressing budget challenges. Public employees who are members of other retirement systems could also benefit from similar protection.

The LEOFF 2 Board also would like to respectfully request that the legislative sponsorship of any bills that are jointly recommended by the Board and the SCPP to the Legislature for the 2010 legislative session be coordinated between the Chair of the LEOFF 2 Board and the Chair of the SCPP.

Please feel free to contact me or Steve Nelsen, LEOFF 2 Board Executive Director, should you have any questions or would like additional information. Steve can be reached at (360) 586-2320 or [steve.nelsen@leoff.wa.gov](mailto:steve.nelsen@leoff.wa.gov), and I can be contacted at (360) 943-3030 or [pres@wscff.org](mailto:pres@wscff.org).

We would be happy to meet with you to discuss these topics at an upcoming SCPP or LEOFF Plan 2 Retirement Board meeting. Thank you for your consideration and we look forward to working with you.

Sincerely,



Kelly Fox, Chair

cc: Matt Smith, State Actuary

RECEIVED

JUN - 8 2009

Office of  
The State Actuary

June 4, 2009

To: Members of the Select Committee on Pension Policy

Re: Pension Benefits Bill for Court Commissioners

From: Commissioner Royce Moe

Last year we contacted the SCPP and requested help in reviewing a new bill that would add court commissioners to the judicial benefits bill (HB 2887, Chapter 300, Laws of 2008.) Unfortunately we got a late start and ran out of time before working out all of the details with your Executive Committee. Nevertheless we kept working with the Office of the State Actuary to make our proposal revenue neutral. We finally came up with a draft bill (SB5523/HB1742) that was as revenue neutral as the State Retirement System could make it.

With the help of many senators and representatives supporting it our bill made it through the Senate Ways & Means Committee and Rules Committee but again ran out of time before making it to the Senate floor for a vote. Clearly and appropriately the focus was on the economic crisis which took priority over everything else.

The one hundred or so court commissioners at all levels of court (Supreme Court, Court of Appeals, Superior Court, District and Municipal Courts) would like to try again next session and again would appreciate help from SCPP.

Towards that end we respectfully request that our group's proposed pension bill be added to your first available Executive Committee's agenda.

Thank you for your consideration,

  
Royce H. Moe  
Spokane County Superior Court Commissioner



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**SUBSTITUTE SENATE BILL 5523**

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**State of Washington                      61st Legislature                      2009 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Hobbs, Pridemore, and Tom)

READ FIRST TIME 03/02/09.

1            AN ACT Relating to public retirement benefits for employees of the  
2 supreme court, court of appeals, or superior, district, or municipal  
3 courts; amending RCW 41.45.207; adding new sections to chapter 41.40  
4 RCW; adding a new section to chapter 41.45 RCW; creating a new section;  
5 and providing an effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7            NEW SECTION.    **Sec. 1.** A new section is added to chapter 41.40 RCW  
8 under the subchapter heading "plan 1" to read as follows:

9            (1) Any member, employed as a court commissioner on September 1,  
10 2009, in the supreme court, court of appeals, or superior, district, or  
11 municipal court, may make a one-time irrevocable election, filed in  
12 writing with the member's employer, the department, and the  
13 administrative office of the courts, to accrue an additional benefit  
14 equal to one and one-half percent of average final compensation for  
15 each year of future service credit as a court commissioner from the  
16 date of the election. The court commissioner shall have from September  
17 1, 2009, through January 31, 2010, to make this election. Any court  
18 commissioner who has not previously elected to accrue an additional

1 benefit under this section may make this election during any subsequent  
2 month of January until the irrevocable election is made.

3 (2) Any member hired after September 1, 2009, as a court  
4 commissioner in the supreme court, court of appeals, or superior,  
5 district, or municipal court, who has not previously elected to accrue  
6 an additional benefit under the provisions of this section, shall have  
7 ninety days from the date of hire to make a one-time irrevocable  
8 election, filed in writing with the member's employer, the department,  
9 and the administrative office of the courts, to accrue an additional  
10 benefit equal to one and one-half percent of average final compensation  
11 for each year of future service credit as a court commissioner from the  
12 date of the election. A court commissioner who does not elect to  
13 accrue an additional benefit under this section may make this election  
14 during any subsequent month of January until the irrevocable election  
15 is made.

16 (3) (a) A member who made the election under subsection (1) or (2)  
17 of this section may apply to the department to increase the member's  
18 benefit multiplier by an additional one and one-half percent per year  
19 of service for the period in which the member served as a court  
20 commissioner prior to the election. The member shall pay, for the  
21 applicable period of service, the actuarially equivalent value of the  
22 increase in the member's benefit resulting from the increase in the  
23 benefit multiplier as determined by the director. This payment must be  
24 made prior to retirement.

25 (b) Subject to rules adopted by the department, a member applying  
26 to increase the member's benefit multiplier under this section may pay  
27 all or part of the cost with a lump sum payment, eligible rollover,  
28 direct rollover, or trustee-to-trustee transfer from an eligible  
29 retirement plan. The department shall adopt rules to ensure that all  
30 lump sum payments, rollovers, and transfers comply with the  
31 requirements of the internal revenue code and regulations adopted by  
32 the internal revenue service. The rules adopted by the department may  
33 condition the acceptance of a rollover or transfer from another plan on  
34 the receipt of information necessary to enable the department to  
35 determine the eligibility of any transferred funds for tax-free  
36 rollover treatment or other treatment under federal income tax law.

37 (4) In lieu of the retirement allowance provided under RCW  
38 41.40.185, the retirement allowance payable for service as a court

1 commissioner in the supreme court, court of appeals, or superior,  
2 district, or municipal court, for those members who elected to accrue  
3 an additional benefit under this section, shall be equal to three and  
4 one-half percent of average final compensation for each year of service  
5 after the election. The total retirement allowance under this system  
6 for members who elected to accrue an additional benefit while a court  
7 commissioner shall not exceed seventy-five percent of average final  
8 compensation.

9 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.40 RCW  
10 under the subchapter heading "plan 2" to read as follows:

11 (1) Any member, employed as a court commissioner on September 1,  
12 2009, in the supreme court, court of appeals, or superior, district, or  
13 municipal court, may make a one-time irrevocable election, filed in  
14 writing with the member's employer, the department, and the  
15 administrative office of the courts, to accrue an additional benefit  
16 equal to one and one-half percent of average final compensation for  
17 each year of future service credit as a court commissioner from the  
18 date of the election. The court commissioner shall have from September  
19 1, 2009, through January 31, 2010, to make this election. Any court  
20 commissioner who has not previously elected to accrue an additional  
21 benefit under this section may make this election during any subsequent  
22 month of January until the irrevocable election is made.

23 (2) Any member hired after September 1, 2009, as a court  
24 commissioner in the supreme court, court of appeals, or superior,  
25 district, or municipal court, who has not previously elected to accrue  
26 an additional benefit under the provisions of this section, shall have  
27 ninety days from the date of hire to make a one-time irrevocable  
28 election, filed in writing with the member's employer, the department,  
29 and the administrative office of the courts, to accrue an additional  
30 benefit equal to one and one-half percent of average final compensation  
31 for each year of future service credit as a court commissioner from the  
32 date of the election. A court commissioner who does not elect to  
33 accrue an additional benefit under this section may make this election  
34 during any subsequent month of January until the irrevocable election  
35 is made.

36 (3) Any employee hired after September 1, 2009, as a court  
37 commissioner in the supreme court, court of appeals, or superior,

1 district, or municipal court, who has not previously established  
2 membership in this system, and who establishes membership in plan 2  
3 under the provisions of RCW 41.40.785, shall have ninety days from the  
4 date of hire to make a one-time irrevocable election filed in writing  
5 with the member's employer, the department, and the administrative  
6 office of the courts, to accrue an additional benefit equal to one and  
7 one-half percent of average final compensation for each year of future  
8 service credit as a court commissioner from the date of the election.  
9 Any employee hired after September 1, 2009, as a court commissioner,  
10 who establishes membership in plan 2 under the provisions of RCW  
11 41.40.785 and does not elect to accrue an additional benefit under this  
12 section may make this election during any subsequent month of January  
13 until the irrevocable election is made.

14 (4) (a) A member who made the election under subsection (1), (2), or  
15 (3) of this section may apply to the department to increase the  
16 member's benefit multiplier by an additional one and one-half percent  
17 per year of service for the period in which the member served as a  
18 court commissioner prior to the election. The member shall pay, for  
19 the applicable period of service, the actuarially equivalent value of  
20 the increase in the member's benefit resulting from the increase in the  
21 benefit multiplier as determined by the director. This payment must be  
22 made prior to retirement.

23 (b) Subject to rules adopted by the department, a member applying  
24 to increase the member's benefit multiplier under this section may pay  
25 all or part of the cost with a lump sum payment, eligible rollover,  
26 direct rollover, or trustee-to-trustee transfer from an eligible  
27 retirement plan. The department shall adopt rules to ensure that all  
28 lump sum payments, rollovers, and transfers comply with the  
29 requirements of the internal revenue code and regulations adopted by  
30 the internal revenue service. The rules adopted by the department may  
31 condition the acceptance of a rollover or transfer from another plan on  
32 the receipt of information necessary to enable the department to  
33 determine the eligibility of any transferred funds for tax-free  
34 rollover treatment or other treatment under federal income tax law.

35 (5) In lieu of the retirement allowance provided under RCW  
36 41.40.620, the retirement allowance payable for service as a court  
37 commissioner in the supreme court, court of appeals, or superior,  
38 district, or municipal court, for those members who elected to accrue

1 an additional benefit under the provisions of this section shall be  
2 equal to three and one-half percent of average final compensation for  
3 each year of such service after the election. The total retirement  
4 allowance under this system for those members who elected to accrue an  
5 additional benefit as a court commissioner shall not exceed seventy-  
6 five percent of average final compensation.

7 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW  
8 under the subchapter heading "plan 3" to read as follows:

9 (1) Any member, employed as a court commissioner on September 1,  
10 2009, in the supreme court, court of appeals, or superior, district, or  
11 municipal court, may make a one-time irrevocable election, filed in  
12 writing with the member's employer, the department, and the  
13 administrative office of the courts, to accrue an additional plan 3  
14 defined benefit equal to six-tenths percent of average final  
15 compensation for each year of future service credit as a court  
16 commissioner from the date of the election. The court commissioner  
17 shall have from September 1, 2009, through January 31, 2010, to make  
18 this election. Any court commissioner who has not elected to accrue an  
19 additional benefit under this section may make this election during any  
20 subsequent month of January until the irrevocable election is made.

21 (2) Any member hired after September 1, 2009, as a court  
22 commissioner in the supreme court, court of appeals, or superior,  
23 district, or municipal court, who has not previously elected to accrue  
24 an additional benefit under the provisions of this section, shall have  
25 ninety days from the date of hire to make a one-time irrevocable  
26 election, filed in writing with the member's employer, the department,  
27 and the administrative office of the courts, to accrue an additional  
28 benefit equal to six-tenths percent of average final compensation for  
29 each year of future service credit as a court commissioner from the  
30 date of the election. A court commissioner who does not elect to  
31 accrue an additional benefit under this section may make this election  
32 during any subsequent month of January until the irrevocable election  
33 is made.

34 (3) A court commissioner who made the election under subsection (1)  
35 or (2) of this section shall contribute a minimum of seven and one-half  
36 percent of pay to the member's defined contribution account.

1 (4) (a) A member who made the election under subsection (1) or (2)  
2 of this section may apply to the department to increase the member's  
3 benefit multiplier by an additional six-tenths percent per year of  
4 service for the period in which the member served as a court  
5 commissioner prior to the election. The member shall pay, for the  
6 applicable period of service, the actuarially equivalent value of the  
7 increase in the member's benefit resulting from the increase in the  
8 benefit multiplier as determined by the director. This payment must be  
9 made prior to retirement.

10 (b) Subject to rules adopted by the department, a member applying  
11 to increase the member's benefit multiplier under this section may pay  
12 all or part of the cost with a lump sum payment, eligible rollover,  
13 direct rollover, or trustee-to-trustee transfer from an eligible  
14 retirement plan. The department shall adopt rules to ensure that all  
15 lump sum payments, rollovers, and transfers comply with the  
16 requirements of the internal revenue code and regulations adopted by  
17 the internal revenue service. The rules adopted by the department may  
18 condition the acceptance of a rollover or transfer from another plan on  
19 the receipt of information necessary to enable the department to  
20 determine the eligibility of any transferred funds for tax-free  
21 rollover treatment or other treatment under federal income tax law.

22 (5) In lieu of the retirement allowance provided under RCW  
23 41.40.790, the retirement allowance payable for service as a court  
24 commissioner in the supreme court, court of appeals, or superior,  
25 district, or municipal court, for those members who elected to accrue  
26 an additional benefit under the provisions of this section shall be  
27 equal to one and six-tenths percent of average final compensation for  
28 each year of such service after the election. The total retirement  
29 allowance under this system for those members who elected to accrue an  
30 additional benefit while a court commissioner shall not exceed thirty-  
31 seven and one-half percent of average final compensation.

32 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.45 RCW  
33 to read as follows:

34 (1) The required employer contribution rate in support of public  
35 employees' retirement system plan 1 or plan 2 members employed as a  
36 court commissioner in the supreme court, court of appeals, or superior,  
37 district, or municipal court, who have elected to accrue an additional

1 benefit under the provisions of section 1 or 2 of this act, shall equal  
2 the public employees' retirement system employer contribution rate  
3 established under this chapter.

4 (2) The required employer contribution rate in support of public  
5 employees' retirement system plan 3 members employed as a court  
6 commissioner in the supreme court, court of appeals, or superior,  
7 district, or municipal court, who have elected to accrue an additional  
8 benefit under the provisions of section 3 of this act, shall equal the  
9 public employees' retirement system employer contribution rate  
10 established under this chapter plus two and one-half percent of pay.

11 (3) The required contribution rate for members of the public  
12 employees' retirement system plan 2 employed as a court commissioner in  
13 the supreme court, court of appeals, or superior, district, or  
14 municipal court, who have elected to accrue an additional benefit under  
15 the provisions of section 2 of this act, shall be two hundred fifty  
16 percent of the member contribution rate for the public employees'  
17 retirement system plan 2 established under this chapter.

18 (4) The required contribution rate for members of the public  
19 employees' retirement system plan 1 employed as a court commissioner in  
20 the supreme court, court of appeals, or superior, district, or  
21 municipal court, who have elected to accrue an additional benefit under  
22 the provisions of section 1 of this act, shall be the contribution rate  
23 established under RCW 41.40.330 plus six and twenty-six one-hundredths  
24 percent of pay.

25 **Sec. 5.** RCW 41.45.207 and 2006 c 189 s 19 are each amended to read  
26 as follows:

27 (1) The required employer contribution rate in support of public  
28 employees' retirement system plan 1 or plan 2 members employed as  
29 district court judges and municipal court judges who elect to  
30 participate under RCW 41.40.127(1) (~~or 41.40.873(1)~~), or who are  
31 newly elected or appointed after January 1, 2007, shall equal the  
32 public employees' retirement system employer contribution rate  
33 established under this chapter.

34 (2) The required employer contribution rate in support of public  
35 employees' retirement system plan 3 members employed as district court  
36 judges and municipal court judges who elect to participate under RCW  
37 41.40.873(1), or who are newly elected or appointed after January 1,

1 2007, for service beginning September 1, 2009, shall equal the public  
2 employees' retirement system employer contribution rate established  
3 under this chapter plus two and one-half percent of pay.

4 (3) The required contribution rate for members of the public  
5 employees' retirement system plan 2 employed as district court judges  
6 or municipal court judges who elect to participate under RCW  
7 41.40.127(1) or 41.40.873(1), or who are newly elected or appointed  
8 after January 1, 2007, shall be two hundred fifty percent of the member  
9 contribution rate for the public employees' retirement system plan 2  
10 established under this chapter.

11 ~~((3))~~ (4) The required contribution rate for members of the  
12 public employees' retirement system plan 1 employed as district court  
13 judges or municipal court judges who elect to participate under RCW  
14 41.40.124(1), or who are newly elected or appointed after January 1,  
15 2007, shall be the contribution rate established under RCW 41.40.330  
16 plus six and twenty-six one-hundredths percent of pay.

17 NEW SECTION. Sec. 6. This act takes effect September 1, 2009.

18 NEW SECTION. Sec. 7. This act shall be implemented only within  
19 funds specifically appropriated for the administrative expenses  
20 associated with its purpose.

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**Wallis, Keri**

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**From:** Seaquist, Rep. Larry  
**Sent:** Friday, June 12, 2009 5:59 PM  
**To:** Office State Actuary, WA; Schoesler, Sen. Mark; Conway, Rep. Steve  
**Cc:** Futrell, Oriana  
**Subject:** SCPP - June 16, 2009 meeting agenda

Mark & Steve,

At our June meeting, I'd like to introduce two items for inclusion on our agenda for future 2009 meetings:

1. A thorough and detailed discussion, facilitated by OSA, of the long range fiscal, policy, and governance issues our systems are likely to face over the next, say, 25 years.
2. A thorough review and discussion of current 'best practices' as they may be found in other states and in other relevant sectors. To be facilitated by OSA and to include the personal expert participation of one or more nationally recognized retirement systems experts.

There are at least two reasons for undertaking this kind of thorough, careful review this year. First, because we are in the midst of an extraordinary economic dislocation, recovery from which is expected to take many years; second, because our economy and our state workforce may be undergoing a significant restructuring, in part because of the ongoing recession and our budget-cutting responses.

I look forward to an opportunity to introduce these ideas at next week's SCPP meeting.

Thank you,

Larry

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